

Message Text

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ACTION FBOE-00

INFO OCT-01 EUR-12 ISO-00 A-01 L-03 /017 W
-----003802 130651Z /11

P R 130500Z JAN 78
FM AMEMBASSY MOSCOW
TO AMEMBASSY WARSAW PRIORITY
INFO SECSTATE WASHDC 6606
AMEMBASSY BERLIN
AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY PRAGUE
AMEMBASSY SOFIA

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E. O. 11652: N/A
TAGS: ABLD, AFSP, PDIP
SUBJECT: PROPOSED PROTEST OF WARSAW RENT INCREASE

REF: WARSAW 0284

1. IN RESPONSE TO REFTEL, THE FOLLOWING OBSERVATIONS MAY
BE OF ASSISTANCE IN DEALING WITH THE PROPOSED LARGE
INCREASE IN RENTS BY POLISH ADMINISTRATIVE
ENTERPRISES.

2. EARLY IN 1977 UPDK NOTIFIED ALL EMBASSIES IN MOSCOW
OF ITS INTENTION TO CHANGE ITS BASIC LEASE AND INCREASE
RENTS ON APRIL 1, 1977. THE AMOUNT OF THE INCREASE
VARIED FROM APARTMENT TO APARTMENT BASED UPON
A REDEFINITION OF THE SOVIET CONCEPT OF "USABLE
SPACE." PUT SIMPLY, THE RATE OF 35 RUBLES PER
SQUARE METER OF "USABLE SPACE" PER YEAR REMAINED
UNCHANGED, BUT ALL SPACE IN AN APARTMENT WAS
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SUDDENLY DEFINED AS "USABLE". IN THE CASE OF
EMBASSY MOSCOW'S SHORT-TERM LEASES THE INCREASE
AVERAGED ABOUT 65 PERCENT. FOR OTHER EMBASSIES THE
INCREASE REANGED ON AVERAGE FROM 50 TO OVER 100
PERCENT. THE LAST GENERAL RENT INCREASE IN MOSCOW
HAD TAKEN PLACE IN JANUARY 1972--THE AMOUNT WAS MUCH
SMALLER AND EIGHT MONTHS ADVNACE NOTICE WAS GIVEN.

3. ADDITIONALLY, UPDK HAD REWRITTEN ITS BASIC LEASE IN SUCH A WAY AS TO STRIP THE TENANT OF MOST RIGHTS AND TO RELEASE UPDK FROM OBLIGATIONS FOR MANY MAINTENANCE SERVICES TO TENANTS.

4. IN THE LAST TWO OR THREE YEARS THERE HAS BEEN AN EXTREMELY ACTIVE ASSOCIATION OF ADMINISTRATIVE OFFICERS IN MOSCOW, WHICH MEETS MONTHLY TO EXCHANGE INFORMATION AND IDEAS FOR DEALING WITH UPDK, CUSTOMS AND OTHER SOVIET ORGANIZATIONS. ALTHOUGH THE ASSOCIATION TENDS TO BE COMPOSED OF OFFICERS FROM DEVELOPED COUNTRIES, UPDK'S PROPOSED LEASE WAS SO ARTIBRARY, ESPECIALLY WITH REGARD TO FINANCIAL COSTS, THAT MANY LESSER DEVELOPED COUNTRIES JOINED. WHILE THE INDUSTRIAL COUNTRIES CONCENTRATED THEIR ATTENTION ON THE DETAILS OF THE LEASE CONDITIONS, THE LESSER DEVELOPED COUNTRIES ROUNDED UP SUPPORT AMONT THEIR COLLEAGUES WHO FACED FINANCIAL DIFFICULTIES. AFTER SEVERAL MEETINGS OF THE ADMINISTRATIVE OFFICERS ASSOCIATION, IT WAS AGREED BY MORE THAN 40 COUNTRIES THAT THE UPDK LEASE WOULD BE REJECTED AND A MODEL LEASE DRAFTED BY THE ASSOCIATION WOULD BE SUBMITTED TO UPDK BY EACH EMBASSY. MOST IMPORTANTLY, IT WAS DECIDED THAT NO EMBASSY WOULD PAY THE INCREASED RENT LIMITED OFFICIAL USE

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BUT INSTEAD WOULD PAY AT THE OLD RATE WITHOUT A LEASE WHILE NEGOTIATING WITH UPDK. SO FAR AS WE ARE AWARE ONLY TWO NON-COMMUNIST COUNTRIES PAID THE HIGHER RENT AND ACCEPTED THE ORIGINAL UPDK LEASE. THEY WERE FINLAND FOR OBVIOUS REASONS, AND BURMA FOR REASONS NO ONE WAS ABLE TO FATHOM.

5. UPDK WAS CLEARLY SHOCKED BY THE SOLID FRONT OF OPPOSITION. SINCE IT COULD NOT EVICT THE TENANTS, WHO WERE PAYING AT THE OLD RENTAL RATE AND OFFERING TO NEGOTIATE, THERE WAS LITTLE RECOURSE LEFT TO UPDK. EVEN WORSE, EVERY EMBASSY WAS SUBMITTING ITS OWN LEASE BASED UPON THE ASSOCIATION'S MODEL, THUS SWAMPING UPDK'S BUREAUCRACY.

6. LEFT WITH LITTLE LEVERAGE SHORT OF EVICTION, WHICH WAS CLEARLY NOT POLITICALLY POSSIBLE, UPDK MADE CONCESSIONS. VITUALLY ALL OF THE OBJECTIONABLE CLAUSES OF THE NEW LEASE WERE NULLIFIED BY AN EXCHANGE OF LETTERS BETWEEN EACH EMBASSY AND UPDK. THIS FORMULATION PERMITTED UPDK TO KEEP

ITS STANDARD LEASE, WHILE ELIMINATING THE OBJECTIONABLE
FEATURES.

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ACTION FBOE-00

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P R 130500Z JAN 78
FM AMEMBASSY MOSCOW
TO AMEMBASSY WARSAW PRIORITY
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AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY PRAGUE
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7. UPDK ALSO OFFERED TO STABILIZE RENTS UNTIL
JANUARY 1, 1983, IF THE EMBASSIES WOULD ACCEPT
THE NEW RENTAL RATES. THIS WAS A SUBSTANTIAL AND
VALUABLE CONCESSION TO THE DIPLOMATIC CORPS AND
IN OUR CASE MEANT THEAT BETWEEN 1972 AND 1983, THE
AVERAGE INCREASE ON SHORT-TERM LEASES IN MOSCOW
WAS ABOUT 65 PERCENT. THIS APPROACH HAS BEEN
ACCEPTED BY MOST EMBASSIES HERE, ALTHOUGH ALL HAVE
REFUSED TO PAY THE INCREASED RENTAL BETWEEN APRIL 1,
1977 AND JANUARY 1978 UNTIL AFTER THE LATTER DATE
BECAUSE UPDK DID NOT GIVE PROPER NOTICE AS IT HAD
DONE IN 1972.

8. WITHOUT KNOWING THE SITUATION IN WARSAW, WE
CAN SAY THAT UNITY AMONG MANY EMBASSIES, INCLUDING
THOSE OF LESSER DEVELOPED COUNTRIES, AND THE INABILITY
OF UPDK TO EVICT DIPLOMATIC PERSONNEL, GAVE US A
STRONG HAND TO PLAY. WE NEVER USED SUCH WORDS
AS "RENT STRIKE" OR "RENT PROTEST" AND CONDUCTED
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OUR NEGOTIATIONS ON A BILATERAL BASIS WITH UPDK.
HOWEVER, THE FACT THAT SO MANY EMBASSIES TOOK
SIMILAR POSITIONS WAS NOT LOST ON UPDK. FINALLY,
WE LET OTHER EMBASSIES TAKE THE LEAD, WHILE WE
PROVIDED DRAFTING, XEROX AND TECHNICAL SUPPORT
TO ENCOURAGE COOPERATION. IN THE END UPDK WAS
FORCED TO MAKE SUBSTANTIAL CONCESSIONS.
MATLOCK

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